

PUBLIC DISCLOSURE

March 21, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Chasewood Bank
Certificate Number: 24272

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Houston, Texas 77070

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Dallas Regional Office

1601 Bryan Street, Suite 1410
Dallas, Texas 75201

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

Institution Rating	1
Scope of Evaluation	2
Description of Institution	4
Description of Assessment Area	6
Conclusions on Performance Criteria	9
Discriminatory or Other Illegal Credit Practices Review	13
Appendix A: Glossary.....	14
Appendix B: Small Bank Test's Performance Criteria.....	18

INSTITUTION RATING

INSTITUTION'S COMMUNITY REINVESTMENT ACT (CRA) RATING: This institution is rated **Satisfactory**. An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

A satisfactory overall record regarding the Lending Test supports the overall rating. The bank did not request consideration of its investments and services, nor did examiners identify any discriminatory or other illegal credit acts or practices. Therefore, these considerations did not affect the overall rating. The following discussion summarizes performance under the applicable test, discussed in detail elsewhere.

Lending Test

The Chasewood Bank (TCB) demonstrated an overall satisfactory record regarding the Lending Test. Reasonable records regarding its loan-to-deposit ratio, borrower profile lending distribution, and geographic lending distribution primarily support the overall rating. The following discussion summarizes conclusions regarding the applicable Lending Test criteria, discussed in detail elsewhere.

- The bank exhibited a reasonable record regarding its loan-to-deposit ratio. Reasonable performances regarding the ratio's overall level and its comparative level support this conclusion.
- The institution originated a majority of its loans outside its assessment area. A majority of small business loans originated outside of the assessment area supports this conclusion.
- The bank established a reasonable record regarding its borrower profile loan distribution. Reasonable performance regarding small business loans supports this conclusion.
- The institution exhibited a reasonable record regarding its geographic loan distribution. Reasonable performance regarding small business loans supports this conclusion.
- The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test conclusion.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from April 9, 2012, to March 21, 2018, the date of the previous evaluation to this evaluation's date. To assess performance, examiners applied the Federal Financial Institutions Examination Council (FFIEC) Small Institution CRA Examination Procedures, which include the Lending Test. Appendix B lists the applicable test's criteria. The bank operates in one assessment area located in the State of Texas. Examiners applied full-scope procedures to this area.

Lending Test

Loan Products Reviewed

CRA Small Bank examination procedures require examiners to determine the bank's major product lines from which to review. As an initial matter, examiners may select from among the same loan categories used for CRA Large Bank evaluations: home mortgage, small business, small farm, and consumer loans. The following table shows the bank's 2017 lending activity, which reflects a change since the prior evaluation. While commercial loans continue to represent the bank's largest loan product by both dollar and number volume, the bank experienced an increase in loans for construction and land development, along with decreases in both 1-4 family residential and consumer lending. These changes are expected to be transitory, as the increase in construction loans does not reflect a change in the bank's lending emphasis.

Loans Originated or Purchased				
Loan Category	\$(000)	%	#	%
Construction & Land Development	10,132	37.5	9	15.3
Secured by Farmland	0	0.0	0	0.0
Secured by 1-4 Family Residential	1,046	3.9	4	6.8
Secured by Multi-Family Residential	69	0.3	1	1.7
Secured by Commercial Real Estate	9,618	35.6	16	27.1
Agricultural Production	0	0	0	0
Commercial & Industrial	5,990	22.2	16	27.1
Consumer	162	0.5	13	22.0
Other Loans	0	0.0	0	0.0
Total Loans	27,017	100.0	59	100.0
<i>Source: Bank records (01/01/17 – 12/31/17)</i>				

Based on management's business strategy and the aforementioned lending activity, examiners concluded commercial loans to be the bank's major product line, with originations totaling 57.8 percent of the dollar volume during 2017. Since none of the other typically considered loan categories represent a major product line, including residential at 4.2 percent, consumer loans at 0.5 percent, and agriculture loans at 0.0 percent, they would not materially affect any conclusions or the rating and this evaluation does not discuss them.

Consequently, this evaluation considered the universe of 27 small business loans totaling \$7,870,000 originated by the bank in 2017 and gave all weighting to these loans for applicable conclusions.

Loan Product Weighting

As noted, this evaluation only discusses the bank's small business loans. Therefore, small business loans received 100.0 percent of the weighting when arriving at applicable conclusions.

DESCRIPTION OF INSTITUTION

Background

TCB is a commercial bank that began operations in 1983 in Houston, Texas. The bank does not have a holding company, nor any affiliates or subsidiaries. The bank received a “Satisfactory” rating based on CRA Small Bank procedures at its previous FDIC CRA Performance Evaluation dated April 9, 2012.

Operations

TCB functions as a retail bank focusing on commercial loans from two full-service offices in Northwest Houston, Texas. The bank did not open or close any offices, or participate in any merger or acquisition activities since the prior evaluation. The Description of Assessment Area depicts the office locations.

The bank offers a variety of loan products including commercial, home mortgage, construction and land development, and consumer purpose loans. The bank also offers a variety of consumer and commercial deposit products and other services, including internet banking, automated teller machines (ATM), and motor banking. Service hours proved consistent with area and industry norms.

Ability and Capacity

The following table, which reflects the complete asset distribution, shows that Net Loans & Leases constitute nearly a majority of the bank’s December 31, 2017, total assets. Since the prior evaluation, on average per year, total assets decreased 1.6 percent, net loans increased 7.3 percent, and total deposits decreased 1.4 percent. As of December 31, 2017, the bank reported a Return on Average Assets of less than 0.1 percent and a Tier 1 Leverage Capital ratio of 8.5 percent.

Asset Distribution as of December 31, 2017		
Asset Category	\$(000)	%
Cash	14,588	13.7
Securities	37,554	35.4
Federal Funds Sold	1,985	1.9
Net Loans & Leases	51,053	48.0
Premises & Fixed Assets	164	0.2
Other Real Estate Owned	0	0.0
Intangible Assets	0	0.0
Other Assets	834	0.8
Total Assets	106,178	100.0
<i>Source: Report of Condition</i>		

As shown in the following table, the mix of outstanding loans as of December 31, 2017, reflects a loan distribution that is generally consistent with the distribution of loans originated and discussed under the Scope of Evaluation. Commercial loans, at 65.7 percent of gross loans, and construction loans at 21.7 percent, represent the two largest loan categories.

Loan Portfolio Distribution as of December 31, 2017		
Loan Category	\$(000)	%
Construction & Land Development	11,150	21.7
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential	5,761	11.2
Secured by Multi-Family Residential	418	0.8
Secured by Commercial Real Estate	27,752	53.9
Agricultural Production	0	0.0
Commercial and Industrial	6,105	11.8
Consumer	289	0.6
Other Loans	2	<0.1
Gross Loans	51,477	100.0
<i>Source: Report of Condition and Income</i>		

Based on the information discussed in this section, as well as other regulatory data, the institution's financial condition, size, product offerings, prior performance, and status of any legal impediments did not affect its ability to meet the assessment area's credit needs.

DESCRIPTION OF ASSESSMENT AREA

TCB expanded its assessment area following the previous evaluation to consist of 86 contiguous census tracts within Harris County. These tracts are located within the Houston-The Woodlands-Sugarland, TX Metropolitan Statistical Area (MSA). The area conforms to CRA regulatory requirements and does not arbitrarily exclude any low- or moderate-income areas.

The following table shows the bank operates two full-service offices in this area. In addition, the bank operates three ATMs within the assessment area.

Office Locations				
County/City/Office	Office Type	Census Tract Number	Census Tract Income Level	Office Opened or Closed Since Last Evaluation
<i>Harris County:</i> Houston, TX – 20333 State Highway 249, Suite 100	Main Office	5543.01	Upper	No
Spring, TX – 8500 Cypresswood	Branch	5540.02	Upper	No
<i>Source: Bank records; American Community Survey (ACS) U.S. Census (2015)</i>				

Economic and Demographic Data

The assessment area's 86 census tracts reflect the following income designations based on 2015 ACS U.S. Census data: 4 low-, 13 moderate-, 29 middle-, and 40 upper-income census tracts. The Federal Emergency Management Agency designated Harris County a disaster area during the period under review.

Business demographic data reflects 46,042 businesses in the assessment area. The service industry accounts for 46.7 percent of total businesses; the retail industry 13.0 percent; and the finance, insurance, and real estate industry 9.5 percent. The data also show that 87.9 percent of the businesses and 95.6 percent of the farms reported gross annual revenues of \$1 million or less. Major employers in the area work in key industries including retail trade, education and health services, manufacturing, and government. The largest area employers include H-E-B Grocery, Houston Methodist Hospital, Memorial Hermann Health, The MD Anderson Cancer Center, and Wal-Mart Stores.

The Texas Workforce Commission reports a December 2017 unemployment rate of 4.4 percent for Harris County. For comparison purposes, the State of Texas reported an unemployment rate of 3.9 percent and the U.S. reported an unemployment rate of 4.1 percent for the same period.

The following table provides additional demographic and economic data for the assessment area.

Demographic Characteristics						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts)	86	4.7	15.1	33.7	46.5	0.0
Population by Geography	617,792	3.7	14.8	33.2	48.3	0.0
Housing Units by Geography	226,757	4.7	14.9	34.2	46.2	0.0
Owner-Occupied Units by Geography	137,923	0.2	9.0	31.0	59.8	0.0
Occupied Rental Units by Geography	73,788	11.9	24.7	39.8	23.6	0.0
Vacant Units by Geography	15,046	11.2	21.0	35.7	32.1	0.0
Businesses by Geography	46,042	2.0	10.9	34.5	52.6	0.0
Farms by Geography	867	0.3	6.9	30.9	61.9	0.0
Family Dist. by Income Level	157,641	17.8	13.8	17.7	50.7	0.0
Household Dist. by Income Level	211,711	17.7	14.5	17.0	50.8	0.0
Median Family Income (MFI) – Census Estimated MFI – FFIEC Families Below Poverty Level	\$69,373 \$72,500 5.2%		Median Housing Value			\$162,012
			Median Gross Rent			\$1,030
			Families Below Poverty Level			8.2%
Source: D&B data (2017); ACS U.S. Census (2015); FFIEC (2017)						

Competition

The assessment area contains a high level of competition from 96 other FDIC insured institutions. TCB ranks 75th in deposit market share by capturing 0.04 percent of the area's deposits based on the June 30, 2017, FDIC Deposit Market Share Report. Three large national banks in the assessment area hold 62.8 percent of the deposit market share. In addition, many credit unions, mortgage companies, and finance companies operate in the area, heightening the competition level. Overall, the competition level still allows for lending opportunities.

Community Contact

Examiners contacted a community member knowledgeable of the area's business and economic environment to help assess the current economic conditions, community credit needs, and potential opportunities for bank involvement.

The contact stated that Hurricane Harvey, one of the most damaging natural disasters in U.S. history, negatively impacted the area's economy. The area experienced severe flooding which caused significant damage, leading many to predict that Hurricane Harvey will be the most expensive disaster in U.S. history, surpassing even Hurricane Katrina. Nonetheless, the community member noted that the area's economy is fueled by diverse industries, most of which continue to positively contribute to its needs and growth. The contact further commented that lending opportunities include small business and home mortgage loans, and that area financial institutions do a good job serving general banking and credit needs.

The assessment area created varied loan demand for various loan types, including commercial and residential real estate loans. The area's economy also supports credit growth and opportunities for various loan types. Considering information obtained from the community contact, bank management, as well as demographic and economic data, examiners determined that the area's primary credit needs include commercial and residential real estate loans.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

TCB demonstrated a satisfactory record regarding the Lending Test. Reasonable records regarding its loan-to-deposit ratio, borrower profile lending distribution, and geographic lending distribution primarily support the overall rating.

For the CRA Small Bank Lending Test, typically, examiners will first determine whether the presence of any weaker loan-to-deposit ratio or assessment area concentration performance, individually, warrants downgrading the overall Lending Test conclusion. Absent any such warranted downgrading, examiners will then place more weight on the bank's borrower profile and geographic loan distributions when arriving at the overall Lending Test conclusion.

Loan-to-Deposit Ratio

The bank exhibited a reasonable record regarding its loan-to-deposit (LTD) ratio given the institution's size, financial condition, and assessment area's credit needs. Reasonable performances regarding the ratio's overall level and comparative level support this conclusion. Examiners considered the bank's size, business strategy, and capacity relative to the area's needs when arriving at this conclusion.

Overall Level

The overall level of the bank's average, net LTD ratio reflects reasonable performance. For the 23 quarters since the previous evaluation, the bank recorded a 45.1 percent average, net LTD ratio, an increase from the 40.9 percent average ratio reported at the previous evaluation. The bank's quarterly, net LTD ratio varied from a low of 32.5 on September 30, 2012, to a high of 52.3 percent on December 31, 2017, with a generally increasing trend. Within the context of the noted considerations, the overall level of the bank's average, net LTD ratio reflects reasonable performance.

Comparative Level

The comparative level of the bank's average, net LTD ratio reflects reasonable performance. Examiners identified and listed in the following table three comparable institutions operating in similar demographics and reflecting comparable total assets.

The following table shows that TCB's ratio and the next highest ratio landed in the middle of the highest and lowest ratios. Therefore, considering the subject bank's LTD ratio compared to the other listed institutions, the comparative level of the bank's average net LTD ratio reflects reasonable performance.

LTD Ratio Comparative Level		
Bank Name and Location	Total Assets \$(000)	Average, Net LTD Ratio (%)
The Chasewood Bank, Houston, TX	106,178	45.1
Comparable Banks		
First State Bank, Clute, TX	187,318	53.9
First National Bank of Alvin, Alvin, TX	137,915	19.4
Lone Star Bank, Houston, TX	121,747	93.5
<i>Source: Report of Condition (12/31/17); Reports of Condition (previous 23 quarters: 06/30/12 – 12/31/17)</i>		

Assessment Area Concentration

The institution originated a majority of its loans outside its assessment area. A majority of small business loans originated outside of the assessment area supports this conclusion. Examiners considered the bank's asset size and office structure as well as the loan products reviewed relative to the assessment area's size and economy when arriving at this conclusion.

The following table shows that by the number of small business loans, the bank originated a majority inside its assessment area; however, by the dollar volume of loans, the bank originated a majority outside its assessment area. Weighing both measures equally, combined they show that the bank originated a majority of its small business loans outside its assessment area.

Lending Inside and Outside of the Assessment Area										
	Number of Loans					Dollar Amount of Loans \$(000)				
Loan Category	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$(000)
Small Business	15	55.6	12	44.4	27	2,934	37.3	4,936	62.7	7,870
<i>Source: Bank records (01/01/17 – 12/31/17)</i>										

Effect on Overall Lending Test Conclusion

Given the considerations discussed below, the bank's record regarding its assessment area concentration did not warrant a downgrade of the overall Lending Test conclusion.

As the table highlights, the bank did grant a majority of its small business loans by number inside its assessment area. Further, the institution's overall record just slightly fell short of reflecting a majority of loans being originated inside the bank's assessment area. In addition, the bank granted a number of loans to long-time customers outside of the assessment area. Lending to these customers outside the assessment area constitutes a business decision and does not mitigate the bank's record. However, the area's relatively high level of competition described under the Description of Assessment Area that results in the bank's overall lower loan volume heightens the effect of this out-of-area lending on the bank's figures.

Borrower Profile

The bank established a reasonable record regarding its borrower profile loan distribution. Reasonable performance regarding small business loans supports this conclusion. Examiners considered the loan category reviewed relative to the available comparative data and any performance context issues. Examiners focused on the percentages by the number of loans when arriving at conclusions. This factor only considered loans originated inside the assessment area.

The distribution of small business loans based on the borrowers' profiles reflects reasonable performance. Reasonable performance in the bank's assessment area supports this conclusion. Examiners focused on the bank's overall levels to businesses with gross annual revenues of \$1 million or less when arriving at this conclusion. The companies' gross annual revenues define the borrowers' profiles for this review.

The following table shows that the bank granted eight out of every ten loans to businesses with gross annual revenues of \$1 million or less, thereby reflecting reasonable performance. The bank's percentage is slightly below, by 7.9 percentage points, but comparable to, the D&B figure. The table further shows the bank granted over half of its loans in the smallest two revenue categories, which further supports reasonable performance.

Borrower Profile Distribution Small Business Loans					
Gross Revenue Level	% of Businesses	#	%	\$(000)	%
< \$100,000	43.8	6	40.0	989	33.7
\$100,000 - \$249,999	32.1	2	13.3	511	17.4
\$250,000 - \$499,999	7.8	1	6.7	350	11.9
\$500,000 - \$1,000,000	4.2	3	20.0	534	18.2
Subtotal <= \$1,000,000	87.9	12	80.0	2,384	81.2
>\$1,000,000	4.6	3	20.0	550	18.8
Revenue Not Available	7.5	0	0.0	0	0.0
Total	100.0	15	100.0	2,934	100.0
<i>Source: D&B data (2017); Bank records</i>					

Geographic Distribution

The institution exhibited a reasonable record regarding its geographic loan distribution. Reasonable performance regarding small business loans supports this conclusion. Examiners considered the small business loans reviewed relative to the available D&B comparative data and any performance context issues. Examiners focused on the percentage by the number of loans when arriving at conclusions and only considered loans granted inside the assessment area.

The geographic distribution of small business loans reflects reasonable performance. Reasonable performance in the bank's assessment area supports this conclusion. Examiners focused on the comparison to the distribution of businesses when arriving at this conclusion.

The following table shows that in low-income census tracts, the bank's lack of lending still lands within a reasonable range of the D&B figure, given the ratios' overall levels. More specifically, the bank's level falls only 2.0 percentage points below the D&B figure, thereby reflecting reasonable performance. The table also shows that in moderate-income census tracts, the bank's level exceeds the D&B level by 2.4 percentage points, also reflecting reasonable performance. Examiners placed greater weight on the bank's performance in moderate-income geographies given the greater opportunities in such areas as suggested by the demographic data.

Geographic Distribution Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000)	%
Low	2.0	0	0.0	0	0.0
Moderate	10.9	2	13.3	24	0.8
Middle	34.5	6	40.0	1,170	39.9
Upper	52.6	7	46.7	1,740	59.3
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	15	100.0	2,934	100.0
<i>Source: D&B data (2017); Bank records</i>					

Response to Complaints

The bank did not receive any CRA-related complaints since the previous evaluation. Therefore, this factor did not affect the Lending Test conclusion.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs. Therefore, this consideration did not affect the institution's overall CRA rating.

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Family Income: Includes the income of all members of a family that are age 15 and older.

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

Home Mortgage Loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area: All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

SMALL BANK TEST'S PERFORMANCE CRITERIA

Lending Test

The Lending Test for CRA Small Banks evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes;
- 4) The geographic distribution of the bank's loans; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).